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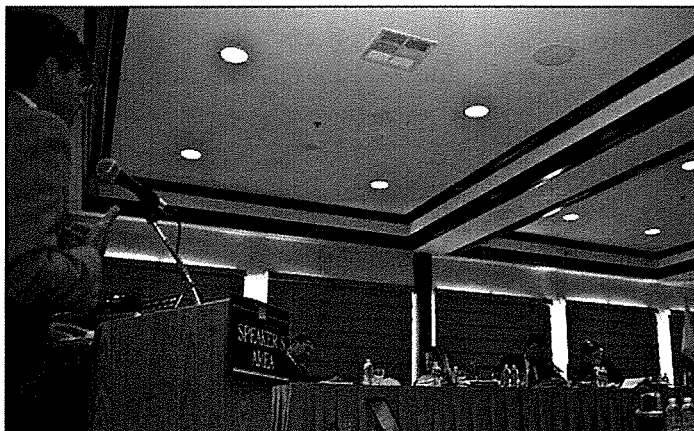


Matt Legodon

State Lands Commission Rejects Offshore Drilling Plan

The historic Tranquillon Ridge agreement between PXP and environmentalists would have meant the first new drilling in 40 years — and an end in sight.

By Sonia Fernandez, Noozhawk Staff Reporter | Published on 01.29.2009 11:25 p.m.



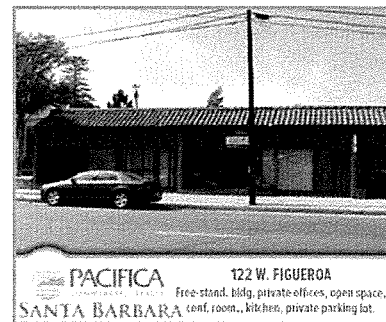
After five hours of testimony, the State Lands Commission voted 2-1 to reject a proposal to close four oil platforms in exchange for the first new offshore drilling in California in 40 years. (Michelle J. Wong / Noozhawk photo)

Despite the urgings of many environmental groups and what looked to be widespread support from the local community, the State Lands Commission on Thursday turned down a historic offshore lease application by Plains Exploration & Production Co., or PXP.

"It (would) be the first time in 40 years that the State Lands Commission ... has issued a new drilling lease for oil production in the state lands off the California coast," said Lt. Gov. John Garamendi, the panel's chairman.

"That is a message that will be heard across America. And those who call for 'drill, baby, drill,' will hear this message very, very clearly, and they will use this as an argument with Congress, and with the president to not reinstate the moratoriums that have expired," he continued.

The 2-1 vote came after about five hours of testimony on the PXP Tranquillon Ridge Project, a new lease proposal that was the result of an unusual collaboration between the local environmental community and the Houston-based oil company. With an agreement crafted between PXP and the



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Environmental Defense Center, the proposal would have opened the first new offshore lease since 1969, but it also would have incorporated into the lease agreement the first date-certain closure of up to four offshore platforms off Point Conception, as well as the abandonment of onshore facilities and a dedication of 3,900 acres of coastal land.

Steve Rusch, PXP vice president, estimated the agreement would have brought in as much as \$4 billion in revenue to California, which is mired in a budget impasse that shows no sign of easing.

According to the EDC's Linda Krop, whose organization had fought a previous proposal to develop that lease, it was PXP's willingness to abandon those platforms by 2022 that convinced her organization to work with the company. By abandoning and removing the platform it owns — Platform Irene — and abandoning the three other Arguello rigs it co-owns with other operators, as well as its onshore facilities, PXP would make it extremely difficult, if not impractical, to develop that area subsequently.

"Without this agreement, there could be drilling out there indefinitely," Krop said.

The lease agreement also had the support of local elected officials, including 1st, 2nd and 3rd District Supervisors Salud Carbajal, Janet Wolf and Doreen Farr, respectively, who all urged the commission to approve the lease.

Commission staff, however, recommended against the proposal because of concerns over the actual enforcement of the agreement, and there did not seem to be enough evidence to convince Garamendi that the protections and authorizations written into the PXP/EDC agreement would ultimately prevent attempts to drill in the area even after PXP left. Ellen Aronson of the Minerals Management Service said that if oil could still be profitably extracted after PXP left, it would be a responsibility of her department to try to extract it.

Greenhouse gas emissions, the reduction of which is one of California's primary goals, was another concern raised by commission staff.

State Controller John Chiang, another commissioner, had his own reservations about the privacy of the agreement between PXP and the EDC, a notion that wasn't lost on some of the proposal's opponents.

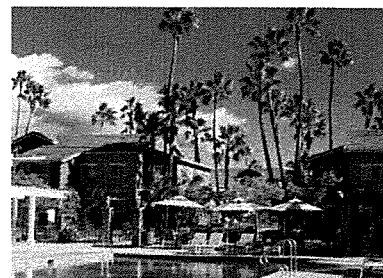
"A lot of these people here are supporting something they haven't even read," said one speaker.

Sitting in for state Finance Director Michael Genest, deputy director Tom Sheehy was the only one of the three commissioners to throw his support behind the proposal, citing the much-needed revenue — at least \$1 billion — the project could bring to the state over the 13-year life of the project. A \$100,000 up-front payment by PXP that is part of the agreement could ease any one of the multitude of cuts cash-strapped California is considering, he said.

While there was some support for the commission's decision, if the proportions in the room were any indication, many others in the community seemed to be baffled, if not disappointed, by the rejection of the lease, which Santa Barbara County had approved without controversy last year.

"It's an odd twist of fate when local environmentalists come to understand firsthand the frustration of being at the mercy of environmental extremists in positions of power," Joe Armendariz, executive director of the Santa Barbara County Taxpayers Association, said afterward.

Garamendi had cited the opposition of House Speaker Nancy Pelosi, D-Calif., and other members of the California congressional delegation, who he said were concerned that approving the proposal could undercut their efforts to reintroduce a



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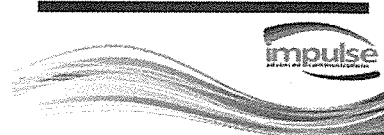
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federal drilling moratorium lifted by the Bush administration. That sentiment wasn't shared by Rep. Lois Capps, D-Santa Barbara.

"I am disappointed by the State Lands Commission's decision to reject the agreement hammered out by the Environmental Defense Center, Get Oil Out! and the Citizens Planning Association of Santa Barbara," Capps said in a statement.

"I am concerned that by rejecting this innovative proposal in favor of maintaining the status quo, our coastal community is left vulnerable to endless offshore oil and gas development."

Unless PXP files suit over the commission's decision or reappplies to the agency with a new proposal, officials said the project is essentially dead.

The vote at Hotel Mar Monte came a day after the 40th anniversary of the massive 1969 oil blowout in the Santa Barbara Channel. The incident is considered to be the catalyst of the modern environmental movement and it led to a moratorium on offshore drilling.

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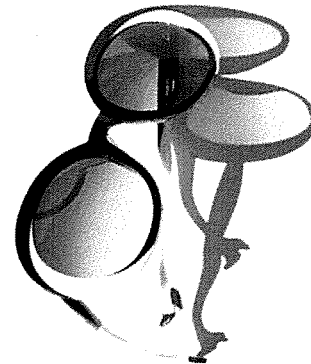
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» tom becker on 01.30.09 @ 08:53 AM

The EDC and GOO blew this one for PXP.

It was known since at least July that the promise EDC and PXP made to shut down the oil platforms in federal waters was not enforceable. The Feds are require by law to not close a lease that is still producing oil and gas. County staff knew this when they removed the requirement found in county condition A-6 for the project.

EDC, after being warned not to go before the California State Lands Commission (CSLC) and continue the story about shutting down the oil platforms, did just that. So did the PXP rep. You don't go before a Commission like this and say something that is not true.

The most compelling argument for this project was the \$1 billion-\$4 billion dollars the people of the state would have received from royalties, including a \$100 million dollar up front payment. That up front payment would have met the payroll for 2000 state employees for a year. Garamendi did not express one iota of concern for the thousands of police officers, firefighters and teachers who are losing their jobs. Instead, he blathered on about global warming and the bible.

If you are a city, county or state employee and you lose your job just remember that our elected officials turned down money that would have saved your job.

» STOP THE LIBERALS on 01.30.09 @ 11:42 AM

drill—drill drill—america first....stop the nuts..

» Publius on 01.31.09 @ 06:29 PM

Great quote from Joe Armendariz. But isn't this the antithesis of what Tip O'Neill used to say: "In the end, all politics is local?"

In this case, all the local green groups and electeds were in general alignment. But the political ambitions of the Sacramento crowd trumped them.

One assemblyman wants to run for state office, and hand his position to his wife w/o a fight. One State Lands no-vote wants to run for higher office, and backed out of a deal he helped broker. A second no-vote listened to six hours of staff and public comment, and voted No without a single word of explanation.

It's crud like this which makes real people so cynical about state politics. It's crud like this which explains why California can be totally bankrupt, yet all our elected state officials can tell themselves they're so hot they deserve promotion to new, even better-paying jobs. to

Should we reward their very public failures to save state programs and tax rates through a genuine, honest, budget process, while they scuttle a local compromise with broad support? In a previous life, some of these folks must have been so-called Wall Street financial wizards. Their sense of ego and entitlement is just as bloated.

» Sense N. Turion on 02.01.09 @ 03:45 AM

The history of salt mystified humans longing to live happy willing as well as wealthy fruitful lives. The chemical symbol NaCl created our idea of civility; many often forget the weight in gold.

Na symbolizes Sodium where Cl is symbolic of Chloride. Chemistry of two chemicals unlocks vital resources needed to interact as well as counteract daily normal biological operations of humans.

Another most often disregarded importance is the evolution of man in the banana. A nourishing fruit, primal apes are associated to eat or even quarrel over. Bananas provide a key element, Potassium or just simply K.

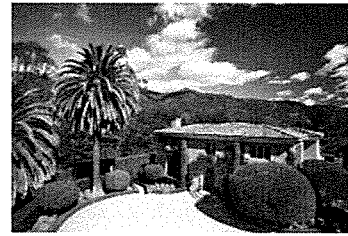
In studies of Neuroscience, only two types of channels are commonly found in brain cells: (1) Sodium activated channels and (2) Potassium activated channels. Both elements are orally taken from salt and the other from banana.

Humans have advanced so far as to know of elements and their influences on the human chemistry of the brain. A lack of either chemical element retards normal brain function daily.

If witnessing a group of people to act like primordial apes, please remind our cousins to help with some salt and eat plenty of bananas. Else, as when in Rome, there is another way other than arrest.

If not an order from Caesar to a mindless Centurion, a plebe at a pub with little cents earned simply drank his ale and said, "To the health of the Republic," however said in Latin.

Salus



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» Bob on 02.01.09 @ 08:48 AM

Tom You correctly point out the unenforceability of this deal. But then you make the point that the real deal would be the royalties that are so desperately needed locally and at the State level. So are you advocating that the State Moratorium should be scraped as a way out of our financial crisis? Because that is what the State Lands Commission was afraid of. That this deal was a way to open up the State Tidelands to drilling up and down the coast. Is that what you advocate?

» tom becker on 02.01.09 @ 12:42 PM

To Bob,

The EDC and GOO support opening up state tidelands to oil development without government approved strings attached. The fact is EDC and GOO knew going into Thursday's meeting that closing those platforms would not happen. Santa Barbara County Staff also knew that the rigs could not be closed because they are operated under a federal lease and the feds never agreed to allow an early termination of production. EDC, GOO and some 20 other "environmental" groups supported the PXP project knowing full well that not a single oil platform or onshore oil facility would be closed early.

Bob, in your comment you agree that closing PXP's 4 offshore oil rigs in federal waters was not-enforceable. Instead of asking me about my position on offshore oil may I suggest that you ask EDC and GOO why they continued to support this project for months after it became clear that the early termination of offshore leases could not happen.

» Bob on 02.02.09 @ 04:09 PM

"Instead of asking me about my position on offshore oil may I suggest that you ask EDC and GOO why they continued to support this project for months after it became clear that the early termination of offshore leases could not happen."

I have not a clue as to what motivated EDC (I did ask) to go out on this breaking limb and then seeing a no vote coming pulled in all their local friends to join them in their fall onto reality. The reality is that all four Federal Lease platforms are coming down in 20 years or less, likely much less. They are producing only a fraction of their original capacity. The Gaviota Onshore Treatment Plant is almost gone and remains only as a heating and pumping station. The Lompoc Onshore Facility will go away as soon as Irene is decommissioned and in any case is not on coastal property. Irene will likely go away a lot sooner than 2022 if it is not allowed to drill into State Tidelands. The CO2 part of the deal is a complete scam. I personally do not have an issue with drilling into State Tidelands from onshore using new horizontal drilling technology except for this. Are we going to leave any oil in the ground for our future generations? Seems not. Bob

» Aaron Shaw on 02.04.09 @ 06:39 PM

There are only three people given the power to decide on major impact issues like this?

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